June 1952

# Consumer Finance News

- Advertising Principles and media
- What are the Steps Ahead?
- What controls Consumer Credit?

ALBERT HARING

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VOLUME 36 • NUMBER 12

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## On the Cover

Dr. Albert Haring was chairman of the National Consumer Credit Conference for 1952 held at Indiana University, Bloomington, Indiana, May 22 and 23, 1952.

Dr. Haring is Professor of Marketing at Indiana University. He is a noted economist and consultant to a number of business organizations, including the National Retail Furniture Dealers Association.

The credit conference was most successful. In addition to the speakers from the various segments of the consumer credit industry, the president of Indiana University, Herman B. Wells, delivered a luncheon address and Henry F. Schricker, Governor of Indiana, spoke briefly at the banquet session where United States Senator Mike Monroney of Oklahoma was the speaker.

The proceedings of the conference will be printed and should be available by mid-August of this year.



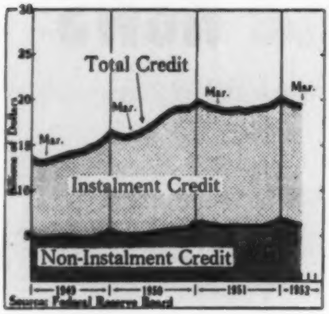
Published monthly by the National Consumer Finance Association. Publication office: 315 Bowen Building, Washington 5, D. C. Entered as second class matter at the post office, Washington, D. C., under the Act of March 3, 1879. Price $2.00 per year. 

# Consumer Finance News

*Published by the* NATIONAL CONSUMER FINANCE ASSOCIATION
*Washington, D. C.*
PAUL L. SELBY, *Editor*
EVELYN BERKELEY, *Associate Editor*

**June 1952** • Volume 36, Number 12

# Food for thought
culled from here and there




### On the Cuff

**Consumer Credit outstanding** at the end of March totaled $19.6 billion. A year earlier the total was $19.4 billion. At the end of March, 1950, it was $16.3 billion. And on the comparable date in 1949 it was $13.5 billion.

**Unless you are** a registered voter and unless you cast your vote on election day, you must write yourself down as a bad citizen.

You are not carrying your part of the load.

To be free to vote as you will and express your own opinion of candidates and measures is a privilege enjoyed by few people of the world.

The citizens of many nations are denied the right to vote, or, if they are permitted to vote, are compelled to vote as directed by a dictator.

Here in the United States we are not only free to vote but we are urged to vote.

The governments we have in city, county, state and nation are our own creations. They are what they are because of what we do with our votes.

This nation will be what *you* want it to be only if *you* vote. Vote for any candidate or any party you please, only be sure to vote.

The coming November election is one of the most important in the long history of our nation. Line up with the voters—the only true citizens of the country.—*The Wright Line*, Wright Company, Inc.

**As citizens we are** never asked if we want our freedom reduced. Instead we are merely asked to take the next step toward less freedom by giving the federal government the power to carry out a new program or broaden the scope of an old one. The emphasis is always on the benefits the government can confer upon us—if only authorized to do so, but we cannot increase the power of the government without reducing individual freedom.

—*Nation's Agriculture.*

# Suspension of Installment Credit Controls

*(This is a reprint from the* Congressional Record *of the remarks made on the floor of the Senate on May 14 by Senator William E. Jenner, Republican, of Indiana.)*

MR. JENNER. Mr. President, the Federal Reserve Board's suspension of installment credit controls is a smart political move designed to hoodwink the Congress into granting continued authority over the little man's pocketbook.

The Federal Reserve Board last week suspended its authority over installment credit. There is a lot of confusion surrounding this suspension order. Some businessmen, failing to see through the Board's real purposes in announcing the suspension, actually hailed the move as a boon to business and employment. The truth is the suspension order is about the worst possible thing that could happen to business and labor.

The suspension order was a smart political move on the part of the Board, and I want to congratulate them on that. The order was designed to tell the Congress and the American public that the Board uses its authority wisely and its present authority over installment credit should be continued. In announcing the suspension, the Board did not tell the people it is using every propaganda and political trick at its disposal to gain continued authority over installment credit. It failed to point out its present authority expires June 30, and unless Congress extends this authority there will be quite a few people out of work down at the Federal Reserve Board.

While the suspension order was a smart political move, I do not think the Board will get away with it. Too many members of the Congress will readily see the suspension was merely a bid for continued authority.

It must be remembered the Board did not abolish its present authority, nor has it asked Congress to kill these controls. The Board merely suspended the controls temporarily, which means that once Congress gives them another year's power over the little man's pocketbook they can dictate terms of $5 down on a refrigerator on Monday and $100 down on Tuesday, if they see fit to do this. They would have the businessman, worker, and farmer in a rat race. So long as this sword of Damocles would be hanging over their heads, businessmen could not possibly chart their production schedules, which means, therefore, they cannot guarantee the worker anything like consistency of employment.


"Please! Would you mind not wearing that dress around here?"

# Advertising Principles and Media

**By S. E. Risley**

*Mr. Risley is Advertising Director of the American Investment Company of Illinois and Chairman of the Advertising Committee and the Advertising Forum of the National Consumer Finance Association.*

*Mr. Risley*

ADVERTISING a loan of $200 or $500 is about like buying a refrigerator or television set—nothing to be too formal or reticent about—and nothing to be too free and easy about either.

Our customers have one or all of four questions in their minds when they consider obtaining a loan. Generally the questions line up in this order: (1) Can I get the money?; (2) How fast can I get the money?; (3) Can I afford to repay? and (4) What kind of a company is advertising?

It would seem then that simplicity and believeability along these lines should be our watchword in advertising if it is to be successful.

On the other side of the picture are those in the business of lending who want to know how to advertise. A recent poll of the Ohio Association revealed three questions as having the greatest interest to its members.

**Advertising as a public relations tool**

Advertising's public relations *must* be good, for advertising men are charged primarily with two things: To maintain good business contact with present and former customers and to produce new customers—both at a permissable cost per loan or per $100 loaned.

There are a number of ways of maintaining good public relations with these groups. One which has been successful for General Mills and many other companies both in and outside of our industry is to *Be Helpful*.

Be helpful by going the extra mile further than asking the customer to use your service. *Tell* the customer how to budget, tell what to look for in buying a used car, a refrigerator, new clothing, furniture and similar necessities common to most of us.

*Tell* the customer how to keep his home, his gas stove and other personal property in good repair.

*Show* him the months when department stores have sales which will save him money on furniture, linens and similar items for which you and your wife shop. This business of running a household has a great common appeal.

This is good public relations, directly with the people who make our business.

There are variations, of course, when we are the victims of uninformed or unfair criticism. Then too, we must *tell* and *show* in a sincere and believable manner exactly where we stand on the issue at hand. Beyond this we should leave it to the experts—the public relations men.

Other roads to public relations in advertising are: Participation in community welfare and public service campaigns.

**Producing the greatest customer volume at the lowest cost**

This problem is not peculiar to our business; it is a time-honored subject among advertising men of all businesses.

At least half of the result of any advertising campaign depends on what happens when the customer comes to your office or calls on the phone and says, "I want a loan." Advertising must earn the whole-hearted support and enthusiasm of the people in the office who interview the customers if it is to produce loans at a low cost.

"How much to spend" is usually the first question. The answers frequently heard in recent months are these: One group swears by the formula as a percentage of outstanding on an annual basis—with ratios varying from 1% to 3% and a few even higher. Another group expresses it as a percentage of gross profit—formulas mentioned in this class run from 4% to 10%.

Either of these percentages will probably be higher for a one or two office operation than they will be for a large chain. By volume buying the chain can effect economies in purchasing printed advertising and newspaper space at rates which are not available for small quantities.

"Where to spend the advertising dollar?" follows in logical order. The obvious answer is, "Where your chances of winning are greatest." To find the real answer to this, check back on the various types of advertising you have used.

As a suggestion: Tabulate the dollar volume of loans made from each media during last year and then the last quarter. This will show any changes in the current trend. From these two you will know where your advertising dollar produced the best result. Then you will have a yardstick to use in allocating your advertising dollar.

Recent information from a few companies using this method shows the evaluation of media in this order: (1) Direct mail, (2) Newspaper, (3) Signs, (4) Radio and (5) Telephone Directory. After these there are a number of miscellaneous advertising media which produce satisfactory results in a seasonal pattern.

"What copy shall I use?" marches next in the line of questions. As a springboard let's consider the purposes given by the customers—what do they *say* they want the money for.

Of course, that old catch-all "Miscellaneous Existing Bills" will probably lead the list. But tabulate the reasons, in their order of predominance, month by month, for the past year. (An example of this is shown in "The Advertising Forum" of April 1951.)

Your tabulation of this information will help you in preparing copy for the monthly or seasonal demands—why not tell the customer he can have the money for the purpose he *says* he wants it for rather than what you *think* he wants it for.

"How to word the copy." Here everyone from the boss to the newest office boy is an expert. Any of them can write better copy than you have ever used. If you don't think so—just ask them!

Aim your copy at your median customer. Get the "you" in the first line of the first paragraph. If your median customer is a mechanic in his middle thirties, with a wife, two kids and a 5-year-old car—aim your copy at him. You'll find it easier to write with an individual in mind. Be wary of "clever" or "tricky" copy—it frequently backfires—try for sincerity and believeability.

To sum it up thus far:

*Be helpful*—say to your customer, "Look at the benefits you and your family can enjoy—in peace of mind, in health, in good home surroundings and in possessions by using the service and the money we offer you."

*Spend your advertising dollar* where you *know* your chances of winning are greater—be careful of "playing the long shots."

*Tell your customer* he can have the money for the purpose for which he says he wants it.

*Tell it short* and tell it true in one syllable "shirt sleeves English."

**"How to increase the advertising expenditure to promote *more* new business?"**

This question usually causes the greatest divergencies of opinion. Some favor one medium while others favor a group of media.

Let's look at a few possibilities. A complete saturation of the mass market for a consumer service or product would consider: Newspaper, direct mail, radio, television, give-aways, (book matches, pencils, pocket calendars, etc.), billboards, spectaculars, and car cards, plus a number of miscellaneous items like circulars and home shows.

All are good to some extent but few firms could afford to use every one. The problem is to *select* the media which will bring the greatest return and *eliminate* the low-producing or marginal media.

The chief differences between a loan service and any other mass consumer product or service are:

A. Loan service appeals to the mass, yet it is selective by eliminating both extremes of the income scale.

B. A person either needs a loan or he doesn't. It is bad policy to sell a loan where there is no need but you can render a real service by pointing out constructive uses of borrowed money.

For example, a man with an old icebox can be sold a new electric refrigerator—larger—more efficient—other features. To sell a loan in such cases, you first have to help sell the new refrigerator. You can apply this procedure to a number of items.

Some have expressed the opinion that a person *not* in the market for a loan subsconsciously erects a partial block against loan advertising. It could follow that a loan appeal during his time of pleasure would be blocked out—as in the case of bowling alley advertising, basketball score board advertising and the like.

Our "mark-up" is small when compared with that of other retail advertisers—we cannot afford waste or marginal media.

Let's look at the media—

Newspaper advertising is basic for retail business. During a newspaper strike in one of the major markets, department stores sales dropped off three quarters of a million dollars—despite heavy direct mail and radio advertising. During the first three weeks after the strike was settled sales regained every dollar they had lost.

*Direct Mail* is selective! The appeal can be more personal. You can aim it at the customers you want. You can give more details and more sales talk. Direct mail appears to have a longer life than any other media. If the family is just thinking of borrowing money, the chances are they will keep your direct mail advertising piece for reference and later use.

Radio can be selective by choosing the proper station, time and program.

A. One office can hardly serve the full area of a station stronger than 1000 watts covering about a 40 mile radius.

There appears to be three dangers in radio: (1) Buying waste coverage with too strong a station, (2) No listeners with too weak a station, and (3) Improper timing, especially considering TV programming.

*Television* is powerful. It has simultaneous appeal to two senses, (seeing and hearing), instead of to one. And —it's almost impossible to do anything else at the same time!

The three chief reasons why many companies do not use TV are:

1. The lack of available time.
2. The limited number of TV stations are saturated with commercials.
3. The cost. For example, in two cities in one state the lowest rate for a one-minute commercial is \$74.10—the higher rate is \$150.00. Production costs for a one-minute TV commercial film would be about \$200. To point it up, a light schedule of 3 spots per week on the lowest rate, (including production cost), would cost about \$2100 per month—here again we must consider the waste coverage.

Many other media have merit: Remembrance advertising, give-aways, posters, wall signs, car cards and spectaculars—but these seem to have their greatest effect for products sold over the counter or off the shelves of a super market.

If the premise is correct that a person doesn't want to remember loan advertising unless he is in the market for a loan—then could it follow that remembrance advertising has little value and could prove to be a high cost media?

If you are going into a larger advertising budget—all of these would produce *some* loans. However, your cost per loan and your cost per \$100 loaned will no doubt multiply. It would be a very interesting experiment, if you aren't afraid of the cost.

Ad men have been debating these theories and this type of rationalizing for years, and will continue to do so to eternity.

Your cost experience with any advertising media is *your* best guide. You *know* how much you are willing to pay to get a new customer and you should know, or if you don't, find out where your chances of getting that customer, at that cost, are best!

# What Are the Steps Ahead?

**By Paul W. McCracken**

*Dr. McCracken is Professor of Business Conditions, School of Business Administration, University of Michigan.*
*These comments were made at the Michigan Consumer Credit Conference for 1952 held at Albion College, Albion, Michigan, April 22 and 23.*

THE business situation at the present time is stalemated. The 15 billion dollar further expansion in our defense program is, of course, an important factor on the plus side. Evidences that business outlays on machinery and equipment and new plants will continue at high levels throughout 1952 is also reassuring. Moreover, present evidence is that residential construction will again approach approximately 1 million housing units, roughly the same as last year. All of these factors provide reassurance that a substantial business shake out does not seem to be a good bet for 1952.

On the other hand, it would be unrealistically optimistic to overlook some important and disturbing factors about the present situation. Consumer spending for the last 12 months has been relatively sluggish and there is no evidence that it will pick up in the months immediately ahead. Present evidence suggests that the demand for new cars will not be larger than the lower level of production forced by the defense situation. Specific industries, such as textiles, are experiencing a very marked and painful contraction of demand. Evidences of weak markets in many lines, moreover, are causing many businesses to reexamine their capital expansion programs, and some plans to purchase additional equipment or to build new plants and equipment are being cancelled.

All of these factors are on the negative side.

At the present time the pluses and minuses seem to be about cancelling each other out, with the result that prices and output in most lines continue at high levels but do not exhibit any particular tendency to rise further.

For businesses caught in sluggish and becalmed markets, this is not a particularly reassuring situation. It is doubly painful because of the long period during which demand has been comfortably vigorous and selling efforts have not been required. Nevertheless, this somewhat becalmed business situation has one important advantage. For the first time in over 2 years we can catch our breath and think about more searching problems than simply to control inflation during the next 24 hours. I would like, therefore, to discuss briefly what seem to me to be 4 major questions which the business community might well afford to examine more deeply than events of the last 2 or 3 years have permitted.

### We must learn to live with a relatively large defense program

By the end of this year we shall be spending on defense activities at the rate of approximately 60 billion dollars per year. Though this is below earlier targets, it does, nevertheless, mean that defense activities will be absorbing about 20 per cent of our total productive resources by the end of this year. We get some impression of the magnitude of this commitment for defense when we realize that a $5 billion program would be more in line with prewar relative levels.

All of these facts are fairly generally appreciated. A couple of things are not so generally appreciated. We must be prepared to have a defense program of about $50 billion continue permanently. We can hope it will not be necessary. But it would be unrealistic to plan on any other basis than that it will be virtually permanent.

If we are going to carry a defense program of around $50 to $60 billion per year for the indefinite future, we must learn to take it in stride without the trappings of all-out war controls. The Office of Price Stabilization and the Wage Stabilization Board were appropriate and probably useful during the transition stage in early 1951 while we were moving from a moderate scale of defense spending to this substantially larger program. Normal market forces tend to break down when subject to sudden, large changes.

On the other hand, we are now close to the peak of our defense program. We have reasonably well adjusted to a world in which 20 per cent of our output must be devoted to defense activities for the indefinite future. Under these circumstances direct controls over prices and wages have served their purpose and, therefore, ought to be eliminated. Experience clearly demonstrates that over any extended period of time such direct controls are unwise, ineffective, and exert a weakening effect on our economic potential. They are ineffective for the obvious reason that if, through taxation and other measures, purchasing power is not held to the supply of goods available, price ceilings will be broken either directly or through the subterfuge of black markets. Moreover, this kind of development almost always means a less effective use of productive resources —something which we can ill-afford in the present situation. The present unfortunate steel situation illustrates the almost inevitable impasse which the government gets into when it tries to control prices and wages directly.

Indeed, the point can be made that an attempt to control wages and prices directly, as at the present time, has a positive inflationary bias. It puts the government in the position of the final wage arbiter, and experience clearly demonstrates that the government presents easier bargaining "opposition" than industry.

Moreover, the last year provides many illustrations of situations in which businesses have deferred price reductions even in the face of weak markets for fear they would be caught subsequently with these lower prices as ceilings, through some edict of O.P.S. It is by no means improbable, therefore, that the net effect of O.P.S. in recent months has been inflationary.

**We must come to grips with the problem of preserving the purchasing power of the dollar**

This is a relatively new problem for the American public. Throughout the 19th Century the price level trend, and, therefore, the value of the dollar, remained virtually constant. The price level did, to be sure, fluctuate markedly, but there was no persistent tendency for it to drift upwards. Indeed, the trend was down. While price indexes have little significance over such an extended period of time, for what the information is worth the wholesale price index in the first decade of the 20th Century was 40 per cent lower than a century earlier.

In the 20th Century we have learned the hard way that this question of the value of the dollar must now be faced. The dollar at the present time has approximately the same purchasing power as a quarter did in 1900. In other words, the 1900 dollar has already lost 75 per cent of its purchasing power.

A large part of this, of course, is to be explained by the fact that in the first half of this century we have had to fight two major wars. Wars are inherently inflationary. They mean paying people wages and salaries to produce things which consumers cannot buy. The result is an accumulation of purchasing power and deferred demands during the war, which almost always means an excess of postwar demands and upward price pressures.

Nevertheless, there are some added elements in the situation at present which cannot be attributed to the war. One of these is the fact that in the postwar period our successive "rounds" of wage increases have been substantially in excess of the increase in general productivity. If the two are roughly equal, wage increases do not result in a rise in unit labor costs. On the other hand, during the postwar period hourly earnings have increased at the rate of approximately 5 per cent per year. This is substantially in excess of the 2 to 3 per cent per year long-run increase in productivity. It is also substantially in excess of the probable increase in productivity during the postwar period, though undoubtedly there are individual years in which productivity increased approximately 5 per cent. This constant tendency for wages to rise more rapidly than the rise in productivity is causing thoughtful students of the economic situation a good deal of concern. It means constant upward pressure on the price level. This, in turn, obviously means either a constant tendency for the basic price level to drift generally upwards or a tendency for businesses on the margin of doubt about whether to continue operations to shut down. In other words, the choice we seem to face is one of inflation or unemployment.

It is by no means clear as yet just how we are going to work out this problem. Labor leaders are under substantial pressure to bring home new bacon each year and to make sure that the slice is at least as big as other leaders will obtain. The natural result, therefore, is a sort of competitive out-bidding for wage increases.

It may be that the inclusion of an automatic improvement factor in wage contracts, such as General Motors started, is a solution. (The improvement factor provides that wages will be increased about 2 to3 per cent per year on the assumption that the general productivity of the economy is rising by about that much.) It has substantial merit.

On the other hand, it has limitations. There is, of course, the purely statistical problem of calculating what the improvement factor is. Beyond that there is the question as to whether the improvement factor, once generally accepted, would not simply mean competitive pressures on the part of labor leaders to get larger and larger figures for the improvement factor, or to get something beyond the improvement factor.

We are apparently too close to this problem yet to have any clear idea about its solution. My own feeling is that there must be a better basic understanding of the whole issue before there can emerge out of public consideration and discussion an appropriate and effective policy.

**We must encourage a growing and expanding economy**

This is obvious. A country's economic potential is a large part of its military power. In a period of international uncertainties the reasons for encouraging and promoting an expansion of economic power are clear. Moreover, there is a substantial and growing demand for public services. Only a wealthy society can afford them. There is education of the wartime baby crop. The trend toward a more general use of college education undoubtedly will continue. The demand for so-called government welfare services, sometimes referred to


**"Boss, I'd like your advice. If a person has either to ask for a raise, or let his insurance lapse, which would you suggest?"**

collectively as the "welfare state," will undoubtedly also continue to increase, and within limits these welfare programs ought to expand. But they all presuppose a wealthy and growing economy.

The record looks good. In the last 50 years our gross national product has expanded from a little over $20 billion per year to approximately $330 billion in 1951. This is an impressive record. If it continues the average American family can have an income of $8,000 by the year 2000 with no further rise in prices.

My own feeling is, however, that too much attention has been devoted to pointing out how much better off we are going to be a generation hence if the economy continues to expand as rapidly as it did during the first 50 years of this century. We seem to get the impression that economic expansion like death and taxes just comes with the passing of the years. This is by no means the case. A rise in our economic potential means an expansion in output per man-hour. Moreover, it means that each hour's work must produce more apart from having people working harder. Indeed, one of the astonishing aspects of our economy has been the enormously improved working conditions at a time when the actual output of each laborer was also increasing. The real question, therefore, is, "How can we be sure that the next 50 years will bring a rapid rise in productivity and permit us to have that economic expansion which we all want?" This is a very large subject, but a couple of points are worth mentioning here.

Our whole tax structure must be reexamined. We need a much more careful and systematic appraisal of the extent to which the kinds of taxes which we levy inhibit economic expansion. Let me mention one specific point. At the present time corporate profits are not only very heavily taxed but we have an excess profits tax which taxes marginal or additional income particularly severely. This is simply not consistent with an economic policy whose objective is to encourage expansion. It means the net result for the inefficient and the efficient business is more nearly the same. Incentives to cut corners on costs, and to make productive resources go further, are, therefore, correspondingly reduced.

Capital formation must be encouraged. One of the major reasons for the phenomenal productivity of the American worker is the fact that we have provided ourselves at the present time with about $11,000 worth of machinery and equipment per working person. One man plus a bulldozer can change the whole typography of the landscape. Contrast this with the picture of swarms of Chinese laborers building an airport in the Orient—each man, however, equipped with a little basket instead of a bulldozer. It is this tendency to have more and more machinery and equipment working hand in hand with labor which, as much as anything else, has explained the tremendous increase in our economic potential during the last several years.

Here again the record is very impressive. By 1929 there was an average investment of approximately $10,000 per worker (valued in present prices). This had been rising at the rate of approximately 2 per cent per year for at least 50 years. From 1929 to 1949, however, we made virtually no progress. The amount of machinery utilized by each laborer was the same in 1949 as 20 years earlier. To restore capital invested per worker to the pre-1929 trend well over 200 billion dollars more would have to be invested. When we remember that in 1951 we added only 36 billions to our productive wealth, we get some measure of this task.

In view of this, the question may arise as to why there seems to be some evidence at present that capital expansion programs are being cut back. This is a very good question. Beyond any doubt the predictions for capital formation made early this year were optimistic.

Here again we come back to the question of corporate profits. Business outlays for new machinery and equipment and new factory buildings are quite sensitive to profits after taxes. This is obvious. As profits are taxed more severely, the incentive to install new machinery is reduced because the net profit improvement from purchasing more efficient machinery and equipment is correspondingly reduced. More importantly, however, profits after taxes constitute a very important source of financing the purchase of additional machinery and equipment. Under those circumstances the question is raised as to whether we have pursued the part of economic wisdom by increasing business profits taxes to the point where profits after taxes in 1951 were about 15 per cent less than they were in 1948. A country which has such a heavy stake in economic expansion can ill-afford to pursue a policy which tends to inhibit those things which can expand our economic potential.

**We must encourage consumer spending**

The fact that we must exert so much energy to persuade consumers to spend is one of the most eloquent testimonies to the success of the American economy. When you stop to think of it, not a very large proportion of the world's two billion people can afford the luxury of not spending. They simply do not possess that degree of margin above the sheer requirements of subsistence. We, however, have reached that stage of almost unseemly affluence where we have to worry about whether consumers will spend their money. Recent months have demonstrated this eloquently. About a year ago consumers cut back their spending substantially relative to their incomes. The result was, of course, a marked rise in savings deposits and consumer savings generally. Another result, however, was the fact that the appliance salesman, the furniture store, and even the auto dealer began to have hard-going with his customers. Since businesses are obviously not much interested in enlarging capacity or spending money on machinery and equipment if the demand for their products is weak, the importance of encouraging consumer spending is obvious.

We have used many ways to lift the levels of living of the average consumer—to persuade consumers to spend more. Industry has found that its own products of last year can be its most serious competitor. The result is that most industries must bring out a new model each year and try to make the customer very unhappy if the chrome work describes last year's curves. Hard-headed businessmen collectively spent approximately $6 billion last year on advertising to keep the consumer constantly informed of new things and unhappy with not spending.

Here is where we come to businesses which have learned how to do credit business with consumers. You see your job in a very matter-of-fact light. You must lend to those who are credit-worthy, collect the payments, and generally try to run a com-

*Continued on Page 19*

# What Controls Consumer Credit?

**By R. M. Grinager**

*Mr. Grinager is credit manager of J. L. Hudson Company, Detroit. This article is taken from his talk before the recent Michigan Consumer Credit Conference at Albion College, Albion, Michigan*

CREDIT SALES, particularly instalment sales, usually fluctuate cyclically in the same direction as consumer income. This is partly due to the fact that cycle changes in income produce more than the proportionate changes in the demand for durable consumer goods, and thus in the demand for credit.

The demand for goods, and thus the demand for credit, would also be affected in its relations to fluctuations in total income by any tendency by individuals to spend a greater portion of their income on consumer goods as incomes fall and vice versa.

The demand for credit also depends, to some extent, on the distribution as well as the level of income. The average amount of credit used increases rapidly with income, but constitutes a diminishing proportion of income as income increases.

To the extent that liquid assets (savings, for instance) are held for precautionary motives, the demand for credit is unaffected. Accumulations to finance all, or part of purchases, do affect the demand for credit. Occasionally, savings are used to make purchases for cash, but to the extent that they are used to make down payments, the resulting amount of credit can be substantially greater than the amount of savings.

Presumably the availability of cash loan instalment credit when it may be used as a substitute for instalment sales credit, exerts some influence on the amount of consumer credit used.

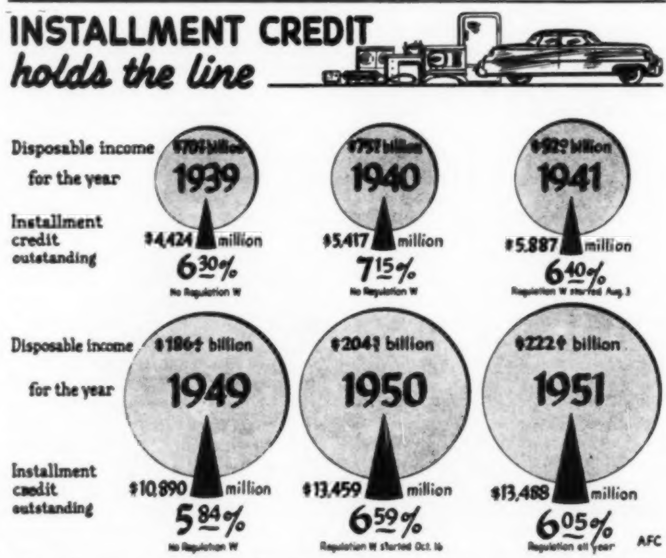
It is reasonable to assume that some borrowings are used to meet obligations originally planned to be credit transactions. I am aware particularly of the reduced amount of credit our store extends in our Kitchen Modernization department since bank modernization loans have been publicized.

**More marriages in good times**

Marriage statistics indicate that people tend to establish families at a higher rate in periods of prosperity. People form new and additional households, increasing the number of consumer units, the number of families, the number of members in families, etc., all of which have an effect on the amount of goods demanded and consequently on the amount of credit used. People in age groups—old people, young people, college students, infants, etc., do not all require the same amount of goods—nor the same amount of credit.

Presumably the buying habits of people and the preference of individuals have substantial effects on the total amount of credit extended. The advent of the automobile, the radio, and now television—these certainly affect the amount of credit extended and used.

## Time Buying Holds Level




**Installment credit outstandings amounted to 6.30 per cent of the national disposable income during 1939, considered a normal year. Down to only 6.05 per cent in 1951, they are not an inflationary factor, the American Finance Conference points out.**

The rate of interest, or the amount of carrying charge, added to the cost of goods sold on credit does, to an undeterminable extent, affect the amount of goods sold on instalment sales which, of course, is part of the total of consumer credit.

All of the salesmen in our store believe that the only things restricting instalment credit are the terms laid down by the credit department. However, the amount of the down payment does have some effect on the amount of instalment credit.

High down payments certainly are keeping a lot of people from buying new automobiles today. The length of the contract, which affects the amount of the monthly payment, also keeps certain people out of the market.

Instalment terms have an important effect on the total amount of consumer credit. Regulation W with its credit restrictions would come in this category.

**Interpreting controls on a personal level**

Those above are the major general factors affecting credit. Let us examine some of them in the light of the individual who says, "What controls credit?"—"How do I get it?"—"How much can I get?"

These factors have an important effect on how much credit you or I as an individual can secure.

1. Wages—the individual's part of total income—or lack of wages.

2. Prospects—that is a belief that wages or income will continue or increase.

3. Capacity—this, of course, would include wages plus other income, including rich relatives.

4. Capital—this would include the part of wages that were saved (liquid assets), plus other forms of savings, any property, stocks, bonds, etc.—all of those things which we discussed as assets above.

These factors are pretty much the same factors as we discussed under the general classification, but these will affect individuals—that is, we have translated total expendable income into individual wages, etc.

There is one other set of factors which has to do with the amount of credit you or I can get. Again, they are pretty much the same factors but viewed from the merchants' or dealers' position. They include:

1. Capital—sometimes the amount of capital available for investment in receivables is limited.

2. Inventories—these should be assets but too much inventory might require a liquidation at rates so attractive as to encourage indebtedness by the consumer.

3. Competition—some otherwise conservative businesses extend credit solely to stay in business.

4. Accumulated durable goods—the fact that nearly everyone has trade-ins in certain fields today has an important effect on the amount of credit extended.

**Recognize credit as selling tool**

Retailers today recognize credit as a selling tool. It is a convenience readily available to the deserving upon request or application. To encourage sales and increase volume it is often offered to select lists, groups, or risks because it is considered a bond that can tie a customer more closely to a shop or a store. In most cases it is actually extended when requested upon application—usually after investigation—to those who are deserving, that is to those who meet the store's credit requirements as determined by management and laid down in policy.

Most consumers can get all the credit they deserve—many get more than they need. A much better question would be "How much credit should I get?" There are many more problems surrounding over-extension than under-extension. There is really no honest answer to the question "How much can I get?"

The customer who maliciously sets out to pyramid accounts can acquire unbelievable amounts. The customer probably should use an amount of credit that in a practical manner satisfies her needs and wants, while remaining within her ability to pay in accordance with the terms agreed upon.

To my mind, there is but one question to be answered when determining whether or not a customer should be extended credit or a certain amount of credit. That question is: "Is the customer good for it?" While we may guess wrong on the answers yes or no —that amount for which the customer is good—that amount which is within the customer's ability to pay in accordance with terms and without interference with other obligations for the standard of living—that amount certainly is a justifiable limit.

## Barney J. Lenihan Elected to College Foundation

FOLLOWING the pattern of similar programs inaugurated elsewhere in the country, eight private higher educational institutions joined with business leaders of Kentucky to form the Kentucky Independent College Foundation.

Barney J. Lenihan, president of Time Finance Company, was elected to the Board of Trustees of the Foundation at the organization meeting recently held at the Pendennis Club in Louisville. Mr. Lenihan was also elected regional vice president of the group representing Louisville and surrounding areas. The Board of Trustees of the Foundation is composed of the presidents of eight colleges and seventeen outstanding business leaders in the state. The Foundation plans a drive for funds to support the private colleges beginning in June.

The Foundation is non-sectarian and was established for the purpose of soliciting funds and securing support from Kentucky corporations to aid the private non-tax supported colleges of the Commonwealth. Denominational colleges of the Baptist, Catholic, Christian, Methodist and Presbyterian faiths are included in the initial group. Institutions participating are:

- Bellarmine College, Louisville
- Berea College, Berea
- Centre College, Danville
- Georgetown College, Georgetown
- Kentucky Wesleyan College, Winchester
- Transylvania College, Lexington
- Union College, Barbourville
- Villa Madonna College, Covington

There has been an increasing awareness among business leaders recently that corporations must actively and generously support the private non-tax supported colleges of the Nation, otherwise they would soon disappear from our way of life. The seriousness of such an eventuality can be better appreciated when it is realized that 50% of the leaders in business and industry are graduates of private educational institutions.

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*As you get older you find the after dinner speeches get longer or your back gets weaker.*

—Banking

# Consumer Finance Today

**By David B. Lichtenstein**

*Mr. Lichtenstein is executive vice president of the American Investment Company of Illinois. The following are excerpts from his talk to the New York State Consumer Finance Association.*

*Mr. Lichtenstein*

THE consumer credit industry is a 20-billion-dollar national business and one of the major mainstays of American economy, Mr. Lichtenstein said in his address to the New York State Consumer Finance Association. He called for improvements in the small loan laws for New York, recalled the progress made by the business in the past 30 years and said there are unlimited opportunities in the field for young people today.

By making small loans available to the working people of the country, the consumer credit industry has been responsible for keeping the assembly lines moving and the mass production machine of America in high gear, Mr. Lichtenstein said. The development of consumer credit has provided an organized and orderly system for the retailing of money and making it available to the average individual who, otherwise, would have no means of obtaining small loans. The borrower is able through consumer credit to buy more things. The factories are able to keep more people working in turning out these products. Their mass production means the cost is lowered, and the decreased cost is passed along to the user who is usually the borrower in the first place.

The merchandise industry in America has moved from the "cracker barrel" stage in the last 30 years to the highly competitive, fast-moving system that it is today, the speaker pointed out, and the transition has been greatly aided by consumer credit which has relieved present-day merchants from so much of the financial burden in handling charge accounts. In a sense, consumer credit really means a financing company for the millions of our merchants. The local merchant cannot spread himself successfully over too many phases of selling goods and planning for the future. When a specialized organization can handle his financing he has more working capital and can devote far more time to the details of his business.

The Federal Reserve Board reported consumer credit last year at 20 billion dollars, and the commercial debt of the nation at approximately the same total. If the consumer credit industry were wiped out tomorrow, and millions of working people could not obtain small loans for the purchase of industry's products, economic chaos would result.

Mr. Lichtenstein, whose home is in St. Louis, also said that New York State is backward in its small loan laws. He criticized the $500 ceiling in this state and pointed out that other large states have much higher ceilings, $1,000 in Ohio, $2,000 in Pennsylvania and no limit in California. Due to present inflationary tendencies, the high cost of living and mounting taxes, the $500 ceiling is too low for small loan borrowers, he added, and urged its removal in this state. No loan ceiling in any state should be less than $1,000, he thought. In many places, including New York, it ought to be unlimited. Lenders could give far better service at reduced costs and the saving could be passed on to the customer. This would increase the buying power of the borrower and give a great boost to consumer financing services so necessary to maintain the home markets and a high level of distribution. He urged a number of other changes in the New York laws.

Mr. Lichtenstein recalled that when the small loan business invaded the financial field some three decades ago, there were many critics and scoffers who did not believe it would last. He said there still is some criticism despite the fact that it now is an important factor for the stability of American economy. He cited the present financial stability of small loan companies by pointing out that banks are now willing to lend them almost unlimited capital. Investments in small loan companies are the soundest that can be made today, he concluded.

# The National Chamber's Program of Work

THESE are the six subjects which businessmen have voted as the most important issues of the day.

***1. Economic Understanding***

Light the Way to Economic Truths

***2. Government Economy***

Create an Irresistible Demand for Economy in Government

***3. Taxation***

Correct the System of Excessive and Unjust Taxation

***4. Social Security—The Welfare State***

Uphold Those Forms of Welfare Activity Which Protect the Individual from Government Control

***5. Labor Relations***

Promote Fair Dealing and Mutual Respect Between Employer and Employee

***6. Foreign Policy***

Support Foreign Policies Which Safeguard the Individual American's Home, Rights and Pocketbook

# The Story Behind the Picture

*Small fry baseball on a professional scale*

EVERY SUMMER during the last five years the City of Grand Junction Recreation Department in cooperation with the business men of that area have sponsored a baseball program for the boys nine to sixteen years of age. The boys' baseball program has been called the Old Timers Association. The boys receive about two weeks pre-season coaching and are assigned to teams by the coaching staff. The teams are then assigned to sponsors out of a hat, so to speak, so as to give all an even chance for a championship team. There is no way to load up a team so as to have an exceptional team and there is no way for a sponsor to be sure to have the winning team. It's strictly a potluck deal. Over 420 boys participated in league play last year. The games are not sandlot. College or semipro ballplayers, and in some instances high school coaches, perform as coaches and umpire all games. While playing a game the boys furnish their own base coaches out of their team. No adult is allowed to coach from the sideline. When errors are made the umpire-coach stops the game and shows the boys the correct way. The teams play at least two games a week. The teams are divided into age groups: 9-10, 11-13, 14-16. The whole program is supervised by the Director of Athletics for the local high school.

Since the inception of this program, Citizens Finance Company has paid the \$75.00 yearly sponsorship fee. Last year, 1951, was the first year that Citizens drew a winning team. This team won the city championship and then went on to the Western Colorado District Tournament to take second place. They lost in the final game by a score of 8 to 7 in an extra inning game. Their record for the year was 13 wins and 3 losses. Every time the boys won they were rewarded by being treated at a soda fountain or taken to the movies.

This year Citizens may have a last place team but first place or last the public relations value of this program is immeasurable.

By the way the over-age ball players in the picture (taken in a corner of the lobby of Citizens Finance Company) are M. N. Due, president of Citizens, standing in the back and on the right (standing) is Frank Simonetti, Jr., chief accountant.

# Population Growth Beneficial

CONTRARY to most predictions in the 1930's that the United States population would level off and perhaps decline before many years, there now appears to be no population peak in sight.

That, says the Chamber of Commerce of the United States, is of economic significance because a growing population should be accompanied by a dynamic economy. The Chamber makes its conclusions known in the latest issue of *Economic Intelligence* published by its Economic Research Department. It says:

"An economy with an increasing population must continue expanding. In terms of population, no overall lack of investment demand is likely. . . There is no great danger of oversavings and under-investment with resulting chronic unemployment."

The Chamber publication brings out many interesting facts about population. The population has doubled since 1900. Growth lagged in the 30's and early 40's, but by 1945 it had about regained pre-depression levels and since then has considerably exceeded those levels.

Three factors, says the Chamber, contributed to the recent population upsurge. Net immigration exceeded predictions, deaths fell below predictions and births far exceeded expected figures. While some decline in the rate of growth can be expected in the middle '50's, says the Chamber, the population should come close to 170 million by 1960, even with a rate of growth less than that of the preceding decade.

The Department of Agriculture is quoted by the Chamber as predicting that by 1957 the production of foods will have to be increased by as much as 20 per cent over 1950 levels.

Increased population, the Chamber points out, will require more homes, more home appliances, more schools, more roads and the like, all increasing production and lifting the level of economic activity.

## A GLANCE at what they're doing

**Clarence H. Adams**

of Connecticut, who was nominated by President Truman to serve as a member of the Securities and Exchange Commission, was confirmed by the Senate on May 7, 1952. Mr. Adams will serve for the remainder of the term expiring June 5, 1956. Mr. Adams served briefly on the Board of Directors of the National Association this year, resigning when he severed his connection with the Guardian Credit Corporation of Hartford, Connecticut. He was connected for many years with the Connecticut State Banking Department first as Director of the Securities Division and later as assistant to the State Banking Commissioner.

**The Pennsylvania Consumer Finance Association**

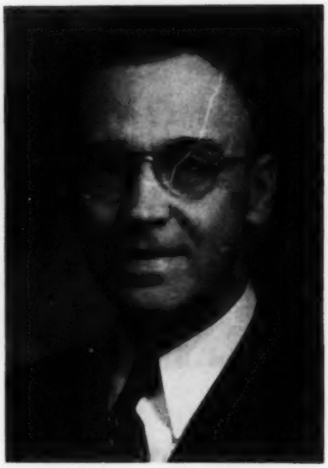
is in the midst of its 1952 series of regional meetings. The meetings constitute a feature of a grass-roots public relations program. The state has been divided into 14 districts, each embracing four or more counties. In some instances it is found to be advantageous to bring the people of two districts together for the regional meeting. The chief feature on the program is an illustrated lecture on the subject, "A Look at the Consumer Finance Business in Pennsylvania." It is presented by Curtis A. Williams, executive vice president of the association, with the aid of a Vu-Graph projector. The talk was first presented at the association's 37th annual meeting last November. Six of the regional meetings will have been held this spring, all in the eastern half of the state. The series will be suspended through vacation months, and resumed again next fall to cover the western districts.

**Oscar E. Koslow,**

in charge of new business development for the Guardian Loan Company, Inc., was presented on April 24 with a scroll honoring him with an honorary life membership on the Board of Directors of the Lenders' Clearance Service, Inc. of New York City, an association of one hundred and fifty-four consumer finance companies, located in the metropolitan area. This scroll was for recognition of Mr. Koslow's twenty years service to the organization.

**The Colorado Association of Finance Companies**

has inaugurated the publication of an association bulletin entitled "Colorado Finance News." Volume 1, Number 1, was dated May 1, 1952. The editors are Lou Millman, Lloyd Hawkins and Bob Carmody. "A NOTE FROM THE EDITORS: 'We will endeavor to give you each month something of interest in the financial field—a good talk—financial data—theory—experience—news, etc. However, we would like very much to hear from our readers. Give us some ideas—do you want your name in print?—send it in with something of interest.' "



*Mr. Williams*

# *Personalities*

**Thomas P. McGinn,**

assistant vice president of the General Acceptance Corporation, Allentown, Pennsylvania, entered the consumer finance field in 1937 with the Household Finance Corporation as an outside man. In 1942, he was appointed manager in Perth Amboy, New Jersey.

In 1943, he entered the military service and after serving 26 months overseas was discharged in 1945. On return from the service he was appointed by Household Finance Corporation as manager in Paterson, New Jersey, and later was transferred to Baltimore, Maryland.

In 1948, he resigned to become associated with the General Acceptance Corporation. After managing offices in Miami, Florida and Mt. Rainier, Maryland, Mr. McGinn was appointed a supervisor covering Alabama and Georgia areas. In March of 1951, he was appointed assistant to the vice president of the Consumer Finance Division, and in January, 1952, he was elected to his present office.

Mr. McGinn was born in Baltimore, Maryland and received his education in the Maryland schools, attending Johns Hopkins University night school. He now resides with his wife and daughter in Allentown, Pennsylvania. One of his greatest ambitions is to become an outstanding golfer.

# Michigan Consumer Credit Conference

THE Michigan Conference on Consumer Credit was held at Albion College, Albion, Michigan, April 22 and 23, 1952. About 200 leaders in the consumer credit field attended and participated in this conference devoted to a study of current trends, operations, and functions of consumer credit. They represented bankers, credit bureaus, consumer finance companies, credit unions, retailers and national trade associations such as the National Foundation for Consumer Credit, the National Retail Dry Goods Association, American Finance Conference and others. The Michigan Consumer Finance Association was an active sponsor and participant.

Dr. Emil Leffler of Albion College was the chairman of the Joint Committee on Arrangements and handled the administrative details of the conference from beginning to end. Dr. William W. Whitehouse, president of Albion College, opened the conference at 10:00 a.m. on Tuesday, the 22nd, with a splendid address on the place and function of consumer credit in the free enterprise system. He pointed out that the colleges and universities of America are by-products of a sound and profitable free enterprise system and that consumer credit contributes largely to the soundness of our national economy.

Thomas W. Rogers, executive vice president of the American Finance Conference, discussed "The Nature, Scope and Expansion of Consumer Credit," while Ernst A. Dauer, director of consumer credit studies of Household Finance Corporation at Chicago, discussed "The Market for Consumer Credit: Demand and Supply." Both papers were excellent presentations of the fundamentals of consumer credit and its functioning in the economy.

At the luncheon session, C. R. Brogan, general manager, Refrigeration Discount Corporation, Detroit, showed the relationship between manufacturing, distribution, and consumption and pointed out that credit touches these operations at every point along the line. Consumer credit is an effective aid in maintaining our mass production economy.

The afternoon panel was devoted to social implications of consumer credit. Dr. Robert W. Kelso, director emeritus, University of Michigan Institute of Social Work, was the moderator, and splendid addresses were given by Russell J. Darling, executive director, Michigan Consumer Finance Association; Myron R. Bone, executive vice president, American Industrial Bankers Association; John F. Lange, legal counsel, Michigan Credit Union League, and Ralph W. Matthews, Associated Credit Bureaus of Michigan.

At the dinner meeting that evening, Dr. Lee M. Thurston, Superintendent of Public Instruction for Michigan, presided, and John Snyder, personnel manager of the Burroughs Adding Machine Company, was the after-dinner speaker. Mr. Snyder pointed out the value of sound credit operations in personnel matters.

On Wednesday, April 23, the morning session was devoted to a panel on the subject of "What Controls Consumer Credit?"—how much is available, and are there justifiable limits to the amount of consumer credit which should be made available and used in the business community? The moderator was William J. Cheyney, executive vice president, National Foundation for Consumer Credit, while the panel members were R. M. Grinager, credit manager, J. L. Hudson Company, Detroit; Carroll Osmun, chairman, Consumer Credit Committee, Michigan Bankers Association; Dr. M. R. Neifeld, vice president, Beneficial Management Corporation, and Walter Graff, director, Associated Credit Bureaus of America. While these speakers represented a variety of fields of consumer credit operations, they all seemed to agree on the basic points that consumer credit serves a valuable function in the economy, that it should be made available to the American family in sufficient quantities to satisfy reasonable requirements, that the American family is not running wild on overindulgence in consumer credit use, and that the record of repayment of obligations had been splendid.

The conference closed with a luncheon session presided over by Dr. Walter Terpenning, chairman of the Department of Economics and Business Administration, Albion College. Dr. Paul W. McCracken, Professor of Business Conditions, School of Business Administration, University of Michigan, chose as his subject for his address, "What Are the Steps Ahead?" Dr. Leffler, and Paul L. Selby of the National Consumer Finance Association, joined in summing up the conference, expressing thanks to the college for its providing a home for the conference for this year, and expressing thanks to all of the sponsoring organizations for helping to make the conference a success.

# ★ ★ State Association Activities ★ ★

## Illinois

THE lenders of Peoria acted as hosts for the 35th Semi-Annual Meeting of the Illinois Consumer Finance Association at the Jefferson Hotel on April 24.

The meeting of the Board of Directors was called to order on April 23 at 3:00 P.M. by Chairman T. D. Griffin. All directors were in attendance or were represented. Reports of officers were made and matters of interest and concern to the industry were discussed. The membership of the association increased twenty-one members since the last meeting, bringing the total to 468 out of 570 licensees. The meeting adjourned at 5:30 P.M.

More than 200 members of the association registered for the sessions and promptly at 10:00 A.M. Chairman Fred H. Shepherd, manager of Commonwealth Loan Company, Pekin, sounded the gavel that brought the meeting to order. He told of the theme of the meeting, "Looking Outside Our Industry," which was somewhat of an innovation inasmuch as this was the first time outside speakers were invited to participate on the program. President Oxenham extended a hearty welcome to the members and guests and extended thanks to the Peoria lenders for being hosts.

The first guest speaker was Charles C. Schlink, Jr., community relations representative of Caterpillar Tractor Company, who spoke on "The Jig Saw."

His subject was taken from a trip he made to some twenty-nine countries in connection with the Jaycees in which he traveled thousands of miles by plane in twenty-four days. He illustrated his talk with colored slides which were extremely interesting.

While Mr. Hesse, director of community relations for Keystone Steel and Wire Company, Peoria, was to speak on "Loan Men Have P. R. Too," he changed it to "Seizure of the Steel Industry by The President." He gave a factual dissertation on the subject which was most interesting.

The morning session was concluded with a talk by Robert A. Jamieson, assistant to the president of Bradley University and Dean of the School of Commerce. Mr. Jamieson gave a very interesting as well as humorous talk. He brought out matters concerning our way of life which is food for thought for all of us and showed definite humanism in his profession as an educator.

Following a reception at 12 Noon to which additional guests were invited, a luncheon was held in the Jefferson Room at 12:30 P.M. Seated at the speakers' table in addition to the guest speakers and other guests were the officers and chairmen of the various committees for the convention.

Michael Riddle, manager of the Bond Loan Company, of East Peoria, Illinois, was toastmaster and introduced those at the speakers' table and others prominent in the work of the industry.

The luncheon speaker was Reverend Edward D. Gates, Pastor of the First Presbyterian Church, Peoria, who spoke on "We Hold These Truths." He gave an eloquent and educational talk and those who heard him were delighted with his very excellent address. He won the Freedom Foundation Award in 1950 for the best ser-

## *Meeting Schedule*

**California**

Ambassador Hotel, Los Angeles
*November 19-20*

**Connecticut**

New Haven
*November 13*

**Florida**

Tallahassee
*October 23-24*

**Idaho**

Sun Valley
*September 12-13-14*

**Illinois**

Drake Hotel, Chicago
*November 5-6*

**Indiana**

Claypool Hotel, Indianapolis
*October 29-30*

**Kentucky**

Brown Hotel, Louisville
*October 29-30*

**Maryland**

Lord Baltimore Hotel, Baltimore
*October 11*

**Michigan**

Beach Hotel, Charlevoix
*July 10-11*

Statler Hotel, Detroit
*November 5-6*

**New Jersey**

Essex House, Newark
*October 23*

**Ohio**

Neil House, Columbus
*October 14-15*

**Oregon**

Multnomah Hotel, Portland
*November 17*

**Pennsylvania**

Benjamin Franklin Hotel, Philadelphia
*November 12-13*

**Virginia**

Williamsburg Lodge, Williamsburg
*June 11-12*

Chamberlain Hotel, Old Point Comfort
*October 21-23*

**West Virginia**

Daniel Boone Hotel, Charleston
*June 11*

Fairmont Hotel, Fairmont
*October 22-23*


*Mr. Oxenham, Mr. Olson and Mr. Lancaster*

mon that year out of some 5000 sermons which were submitted.

On behalf of the association, T. D. Griffin, chairman of the Board of Directors, presented Bill Holden, of Peoria, with a plaque which read as follows:

"This testimonial presented by the Illinois Consumer Finance Association to William G. Holden in recognition and appreciation of his devoted service, effective leadership and beneficial influence in the Consumer Finance Business in Peoria, Illinois, and of his furtherance of the aims and purposes of this Association for the past thirty-six years. Presented at Peoria, Illinois, on the 24th day of April, 1952, and signed by Thomas D. Griffin, Chairman, Board of Directors, and Albert P. Snite, Secretary."

Promptly at 3:00 P.M. President Oxenham called to order the business meeting of the association. John T. Snite, acting for Albert P. Snite, secretary, read 17 applications for membership, all of which were elected to membership. B. H. Mansen, acting for J. A. Breen, treasurer, reported all bills paid.

In an interesting report, T. D. Griffin, chairman of the Board of Directors, called particular attention to the National Foundation for Consumer Credit and urged every lender to join it. He read a communication signed by a number of leaders in the business endorsing the Foundation. He also told about Wage and Hour litigation and other matters of interest in the industry.

James H. Cronin, executive vice president and counsel, told about 22 robberies reported to his office since the date of the last meeting on October 31, 1951 and of the apprehension of several hold-up men. He pointed out the work of his office in following up the prosecution of the hold-up men and of the payment of rewards to the police. Mr. Cronin stressed the importance of members' reporting robberies to his office and illustrated what happens when they are not reported. The report covered many matters of interest such as the insurance litigation in Springfield, the Chicago Transit Authority and its refusal to recognize wage assignments.

President Oxenham called on John T. Snite who explained in detail about the group insurance plan of the National Consumer Finance Association and cited it as one more reason why every lender should be a member of the National Association.

Following the business meeting, Supervisor James J. Walsh, of the Division of Small Loans, gave his observations as Supervisor. He called attention to a Nebraska Supreme Court case which held that a licensee violated the Small Loan Act in conducting other kinds of business in the same office and held a loan void by reason of such violation notwithstanding the fact that the State Banking Department had granted permission to the licensee to conduct such other kinds of business in the same office. He further told of a licensee outside the state whose advertising by radio invited the public to make loans by mail by writing the radio station. Mr. Walsh complimented the members of the association and thanked them for their cooperation.

At 4:30 P.M. a sound movie, "The Big Idea," was shown. This movie was sponsored by Swift & Company and was a Freedom Foundation Award Winner for 1951. The theme of the movie emphasized our free enterprise system, pointing out the complete freedom of our American way of life. It was a fitting climax to what had preceded it and afforded some relaxation to those in attendance.

A Fellowship Hour brought the members closer together in their friendship and mutual understanding.

At 6:30 P.M. a dinner was held. The invocation was pronounced by the Reverend Thomas E. Harrison, Pastor of St. Joseph's Church, Brimfield, Illinois. The toastmaster was G. R. Lancaster, manager of the Premier Loan Company, Peoria. He introduced those at the speakers' table and other guests. The speaker of the evening was A. L. Olson, vice president of the Federal Reserve Bank of Chicago, who spoke on "The Credit Restraint Program." Mr. Olson called attention to his conference with Mr. Griffin on February 11 and pointed out that although he understood the association was not in favor of Regulation W, still it was committed to a strict compliance with it. He told of the investigations by the Federal Reserve Bank and cautioned the members to comply with Regulations W and X so long as they remain in existence.

Adjournment took place at 9:00 P.M. which brought a day complete with education and interesting activities to a close.

## New Hampshire

THE Annual Meeting of the New Hampshire Association of Small Loan Companies was held at the Manchester Country Club on April 9, 1952. Meeting was called to order at 2:15 P.M. by President Garland. Roll was called by H. C. Hammerstrom, secretary. Nineteen members

were in attendance. The secretary's minutes were read, corrected and approved. The treasurer's report was read and approved.

Mr. MacDermott, reporting for the Executive Committee, advised he received a letter from Mr. Lloyd Jones, suggesting the New Hampshire Association have pamphlets printed similar to those put out by the Better Business Bureau in Kansas City, Missouri, in the event a need for them developed. The Missouri pamphlet is entitled "Thousands of Missouri Families are being Gouged" and can be procured through the National Consumer Finance Association. It was voted to have this reported on at the next meeting by the Executive Committee.

A nominating committee was appointed to present a slate of officers for the coming year. The committee consisted of Lee Rollins, chairman, Paul Nelson and Elmer Ackerson. The nominating committee presented the following officers for election: President, Paul Nelson; vice president, Milton J. Barnes; secretary, H. C. Hammerstrom, and Treasurer, Al Dusseault. Same were unanimously elected. Mr. Garland relinquished the chair to the new president, Mr. Nelson, who took over the meeting.

Under old business, the question of whether the secretary should become a member of the American Finance Conference was discussed. It would then send him their bulletins, etc., which are considered very good. Mr. Lerch pointed out that it would undoubtedly be beneficial to have this contact and the matter was referred to the Executive Committee for a report at the next meeting. The dues in this organization were undetermined.

Mr. Ackerson reported on the joint meeting of the associations of Maine, New Hampshire and Vermont, and stated that it was decided not to hold this meeting and plans for it have been canceled. The report was accepted.

Mr. Nelson brought up a question of whether the association should be more active. Mr. Lerch pointed out that in an association of this size, it is best not to attempt too much. It was suggested that our activities be confined to educational work wherever possible.

The Executive Committee was appointed by President Nelson—Edward MacDermott, chairman, Frank Gannon and M. E. Lerch. The chair appointed an auditing committee, subject to the approval of the Executive Committee. Mr. Russell Garland was appointed for this duty.

Discussion was held on educational activities. Mr. Lerch reported that, in many states, they have library committees which build up a shelf in the various libraries of the state with books on finance, etc. A committee was appointed for the purpose of acting on this suggestion—putting books in the various colleges and in libraries in the principal cities. The committee appointed consists of Al Dusseault, Lloyd Jones and Gordon C. Wentworth, Jr. The Illinois book, the Lehigh book and the Neifield book were suggestions to start this educational campaign here. It was further suggested that these books be stamped "Compliments of New Hampshire Association of Small Loan Companies," on the inside cover and in the center of the book. This will all be reported on at the next meeting by the committee appointed.

A tentative date for the fall meeting was set for September.

## New York

AN award and tribute to Byrd E. Henderson, chairman of the Board of Household Finance Corporation, Chicago, Illinois, was the highlight of the Spring Meeting of the New York State Consumer Finance Association held at the Hotel Commodore, New York City, May 8, 1952.

In a ceremony witnessed by over 250 members as well as distinguished guests both within and without the industry, a moving tribute was paid to Mr. Henderson and his leadership in the consumer finance business by another pioneer and leader in the industry and his lifelong friend, Charles H. Watts, chairman of the Board of Beneficial Loan Corporation, Newark, New Jersey. The tribute was climaxed by the gift of a fine wrist watch to Mr. Henderson in recognition of his services to the industry over almost 45 years.

Mr. Henderson responded to his "best friend and business adversary" and in glowing terms reminded the assemblage of their common business experiences over the years and of the positive leadership qualities of Mr. Watts, both in business and in his civic activities.

The morning session, preceded by a buffet breakfast, was presided over by Paul L. Selby, executive vice president of the National Consumer Finance Association, Washington, D. C., whose introductory remarks included a strong objection to a continuance of the statutory authority for Regulation W. Two speakers were featured. Mr. Alexander J. Guffanti, vice president of the Springfield National Bank, Springfield, Massachusetts, led off with a talk entitled "Live Together

*Mr. Watts and Mr. Henderson at the New York Association Meeting*

and Like It." He stated that there was no need for animosity between loan companies and banks since it has been shown that each has a place in the lending field and that each helps the other in public acceptance of consumer credit as a whole.

David B. Lichtenstein, executive vice president of American Investment Company of Illinois, St. Louis, Missouri, followed with the theme, "New York—A Backward State in Consumer Credit." In recognition of the realities of inflation and the importance of consumer credit, Mr. Lichtenstein espoused an increase in the present New York ceiling of $500 and the liberalizing of administrative viewpoint to permit conducting a sales finance business in the loan office. Mr. Lichtenstein said that "the development of consumer credit has provided an organized and orderly system for the retailing of money and making it available to the average individual, who, otherwise, would have no means of obtaining small loans." Other excerpts from his address appear elsewhere in this issue.

Following the business meeting in the afternoon, an unusual panel featuring the woman's viewpoint on various phases of the loan business was presided over by Walter M. Down, New York supervisor of Local Loan Company, Inc.

Participants on the panel were Miss Agnes J. Neary, manager of General Public Loan Corporation, Buffalo, New York; Mrs. Elizabeth R. Schneider, customer service consultant of the New York Telephone Company, and Miss Edna Mae King, owner and director of Triad Personnel Service, New York, N. Y.

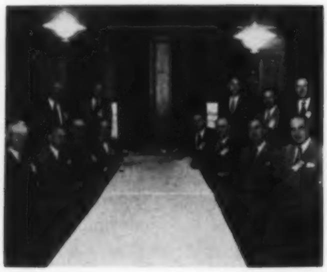
## Washington

THE Washington State Consumer Finance Association held its 11th annual convention at the Washington Athletic Club in Seattle on April 19. Preceding the one-day meeting the Board of Directors held a dinner and meeting the previous evening at which time reports of officers and other routine business was transacted. President Ray M. Cowen called the business session to order promptly at 9 A.M. The various committee chairmen gave their reports. Following the reports the new Board of Directors was elected. The members are as follows: F. P. Spencer, R. M. Cowen, F. J. Gleeson, E. C. Taggart, A. D. Anderson, A. M. Constans, W. H. Lowman, L. A. Lockett, C. H. Beckmann, R. E. Vester, C. E. Schafer, T. C. Barto, O. M. Troup, M. M. Treadwell, and I. C. Overly.

The newly elected Board of Directors then re-elected the same officers for 1952-'53 who had served so well during 1951-'52. These officers are: Ray M. Cowen, president; F. J. Gleeson, vice-president; and L. A. Lockett, secretary-treasurer.

President Cowen presided at the morning session and introduced the guest speakers. The first speaker was Professor Henry I. Kester of the College of Business Administration, University of Washington. Professor Kester was formerly with Northwestern University, Evanston, Illinois where he received his B.A. and M.A. degrees. He has been a student of consumer finance for many years having been the recipient of an Owen Coon Scholarship. Professor Kester's subject was "Financing the Consumer in a Defense Economy."

His message was presented in an exceptionally capable manner and very well received by those in attendance. There is no doubt that Professor Kester is well informed as a result of his years of study of the consumer finance business and able to present his thoughts in a down-to-earth, straightforward way.



*L. to R.: (seated) Messrs. Barto, Vester, Overly, Cowen, Spencer, Constans, Gleeson and Lowman; (standing) Anderson, Lockett, Siemon, Treadwell and Schafer.*

Elliott Taylor, manager, Public Relations and Advertising Division, Pacific Finance Loans, Los Angeles, was the second speaker of the morning session. His subject was "Getting the Most for Your Advertising Dollar." Mr. Taylor has a national reputation as one of the best public speakers in our industry. He has been heard at various state conventions as well as the National Consumer Finance Association Convention at White Sulphur Springs, West Virginia last September. It was the opinion of all that the Washington State Association was very fortunate in having two such fine speakers as Professor Kester and Elliott Taylor on the same program.



F. J. Gleeson, vice president of the Washington State Consumer Finance Association, presided at the noon luncheon and introduced the guest speaker who was billed as Professor Halvar Markelius, Director of Svenska Handelsbanken of Stockholm, Sweden, but who turned out to be one of the best conditions ever to come out of Everett, Washington. The so-called professor spoke on the subject of "Stabilization of Domestic Economy Through Consumer Finance." His fund of stories told in a Swedish dialect is almost unlimited, and he added just the right touch to the noon luncheon.

A. M. Constans, president of Local Loan Company of Seattle, presided at the afternoon meeting and introduced the four panel speakers. Harry E. Fuller, vice president, Mutual Loan Company, Portland, Oregon spoke on "Personnel—Selection and Training."

L. J. Styskal, prominent member of the Los Angeles bar and chairman of the Law Committee of the National Consumer Finance Association, chose as his subject, "Legal Problems Affecting Consumer Finance Companies." Roy O. Siemon, director of supervision, Household Finance Corporation, Western Division, spoke on "Collections." A. C. Wickman, vice president of Beneficial Management Corporation and Director of the Pacific Coast Division, talked on "Credit Policies for Consumer Finance Companies." Each speaker presented his topic in a very interesting manner and each covered many important points in the time allotted. At the conclusion of the four talks a lively question and answer session which was participated in by many different members brought the afternoon session to a close.

The social hour was held from 6 to 7 P.M. after which the banquet took place in the Main Dining Room of the Washington Athletic Club. There were 300 members and guests in attendance which set a new all-time record.

Ray M. Cowen, president of the Washington State Association served as toastmaster and did his usual outstanding job. He first introduced the newly elected Board of Directors as well as prominent guests seated at the speakers' table. He then introduced R. E. Vester, who in turn presented J. C. Minshull, retired Supervisor of Banking for the State of Washington, and Bennett Baldy, one of the pioneers in the consumer finance business on the West Coast, with life memberships in the Washington State Consumer Finance Association. A standing ovation was given to these men who have done so much in the interests of the industry in the State of Washington.

Dr. U. G. Dubach, Professor of Political Science at Lewis and Clark College in Portland, Oregon, was the featured speaker of the evening.

The subject of Dr. Dubach's address was "Wake Up America." Dr. Dubach gave one of the most interesting and inspiring talks that members of the Washington State Association have ever heard. This was the consensus of those in attendance. One must hear Dr. Dubach, fully to appreciate his power as a speaker. At the conclusion of the banquet the members and guests enjoyed dancing and just visiting until 1 A.M.

An added attraction was the Historical Advertising Exhibit which was prepared by the Advertising Committee of the N.C.F.A. and first displayed at the 1950 national convention in Chicago. The exhibit, which consists of interesting loan company advertising dating back many years together with modern advertising being used by both chains and independent operators, was viewed by many members and guests.

The General Convention Arrangements Committee, headed by R. E. Vester deserves much credit and thanks for the efficient manner in which the convention was handled. Every session started and ended exactly on schedule, yet everyone who had a message to deliver and all who wanted to ask questions had ample time. The program and speakers presented indicated that much time and effort was put in by the various committee members to bring about a well rounded, instructive convention.


"We'd like nine cents worth of candy - price no object!"

## What Are the Steps Ahead?

*Continued from Page 7*

petent, profitable operation. In that sense you are like any business.

Let me exercise my prerogative as the professor by pointing out some of the broader social significance of your business. The characteristic feature of American industry is not that it has created a few rich people, but that it has made available to everybody what a generation earlier was the good fortune of only the wealthy. Through the auto industry everybody is now a member of the "carriage trade" because even the moderate priced cars are better than the Cadillacs and Lincolns of a few years ago. Through DuPont and nylon all American women now belong to the "silk stocking class." Through the refrigerator industry the ordinary family can now have a better diet than did the kings of a century ago.

These achievements could never have been made had it not been possible to develop mass markets. Mass markets for big-ticket items particularly could never have appeared had not the ingenuity back of the development of consumer credit and small loan procedures made it possible for the man of moderate means to come into the market for these items. Through Regulation W we have heard a great deal about the impact of consumer credit on inflation and economic stability. My own feeling is that we need to give that less attention and think more about the role of consumer lending and consumer credit in broadening the market base for these consumer hard goods items. Unquestionably, those who have learned to finance consumers have been fully as responsible for the fact that we are a nation of 43 million cars as the Henry Fords and Walter Durants. The result has been consumer living standards lifted to unheard of levels, vast high-wage industrial areas, such as Detroit, and the whole economic potential of the nation has been increased.

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*It's a funny thing the effect that responsibility has on different people. The man with a good head for it, grows . . . the other kind just swell.*

—Automotive Digest.

## *Twenty Years Ago in the* NEWS

**PERSONAL FINANCE NEWS, *June 1932***

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***National Officers, 1931-1932***

***President,* L. K. OSBORNE; *Vice President,* W. G. WOOD**
***Executive Vice President,* W. FRANK PERSONS; *Treasurer,* T. J. HARRISON**
***Secretary,* EDGAR F. FOWLER**

**Those enterprises of legislative origin concerning which the public is ignorant or misinformed afford opportunity for the favorite occupation of the self-seeking politician of "roaring in the abstract" about self-created evils. By the obvious converse, only those enterprises concerning which the public is informed and well-disposed are immune to the dangers of such attack.**

**One of the outstanding liberals in Congress, who has often staked his fortunes on the final wisdom and fairness of mass decisions, once said:**

**"The majority of the people will always decide wisely on questions of public policy provided they are in possession of all the facts. Upon this depends the safety and the liberty of constructive action of the worthy legislator. It is the task of the socially minded to strive that such information shall be provided. In the absence of such measurable weight of public opinion, the legislator will shape his unguided course by his honest convictions or by his selfish interests. But, whatever may be his motives, he will of necessity always be keenly anxious as to the views of his constituents. All but the utterly venal want to cast honest votes. Even the venal want to cast popular votes. Consequently, no one is more eager than the legislator to 'know the truth and the whole truth.' He wants to know more, he wants to know what are the misrepresentations and the untruths, by whom they are made, and for what reason."**

**This is sound common sense. It also confirms that faith which all good Americans hold in the ultimate efficiency and justice of democratic processes. It is also a clear expression of the necessity of self-representation placed on those whose enterprises exist by virtue of wise legislative action. If as this experienced and worthy legislator clearly states, the action of legislative bodies must inevitably accord with defined public views: How may this collective public mind be informed? What is this public opinion which is the final court of appeal?**

**Speaking before the last annual convention of the American Association, Albert Edward Wiggam said:**

**"We hear, for example, a great deal about public opinion; but if you mean by opinion intelligent judgments, intelligently arrived at, there is no such thing as public opinion. There is public prejudice, public passion, public emotion, but intelligent public opinion is a pure myth except where it has been intelligently engineered by educating the public as to the facts. It is always the thinking leaders who create real public opinion and thus create progress."**

**. . . the safety and advance of personal finance, and that of the service it renders, depends upon the degree to which it is effectively organized for educational contacts with those groups out of whose attitudes and policies finally comes what is known as public opinion.**

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# CONSUMER FINANCE NEWS

## STATE ASSOCIATIONS



## FEATURES



## MISCELLANEOUS

# THE 38th NATIONAL CONVENTION

CHALFONTE-HADDON HALL

Atlantic City, New Jersey

October 6-7-8-9, 1952